

Message Text

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C O N F I D E N T I A L LISBON 4691

E.O. 11652: GDS

TAGS: ENRG PO

SUBJ: NATIONALIZATION OF BULBENKIAN INTERESTS IN BASRA

SUMMARY. GOP WORRIED THAT NATIONALIZATION OF GULBENKIAN INTEREST IN BPC MAY LEAD TO EMBARGO BY IRAQ, ONLY ARAB COUNTRY STILL SUPPLYING PORTUGAL, WHICH MIGHT LEAD GOP TO SEEK USG ASSISTANCE. END SUMMARY.

1. DURING CONVERSATION DECEMBER 22, FONMIN DIRECTOR GENERAL FOR POLITICAL AFFAIRS FREITAS CRUZ ASKED CHARGE TO CONVEY TO SECRETARY KISSINGER FOREIGN MINISTER PATRICIO'S CONCERN OVER IRAQ'S ANNOUNCED NATIONALIZATION OF GULBENKIAN INTERESTS IN THE BASRA PETROLEUM COMPANY. PATRICIO WANTED SECRETARY TO NOTE THAT, IN ADDITION TO LINKING ACTION TO GESTURE OF SOLIDARITY WITH AFRICA, IRAQ CITED PORTUGAL'S ASSISTANCE IN RESUPPLY OF ISRAEL DURING RECENT MID-EAST CONFLICT AS JUSTIFICATION FOR NATIONALIZATION. FREITAS CRUZ INDICATED THAT THIS IRAQI ACTION MIGHT STIMULATE PORTUGAL TO SEEK FULFILLMENT OF US PLEDGE TO ASSIST PORTUGAL TO OVERCOME PETROLEUM SUPPLY DISRUPTIONS RELATED TO PORTUGAL'S COOPERATION IN PERMITTING USE OF LAJES FOR RESUPPLY OF ISRAEL.

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2. CHARGE STATED HIS ASSUMPTION THAT GOP WAS NOT SUGGESTING THAT USG PROVIDE AN ALTERNATIVE SOURCE OF REVENUE FOR THE GULBENKIAN FOUNDATION, ADDING HIS UNDERSTANDING THAT GULBENKIAN HAD SO DIVERSIFIED ITS INVESTMENTS IN RECENT YEARS THAT EVEN NATIONALIZATION OF IRAQ PETROLEUM COMPANY OVER A YEAR AGO HAD NOT BEEN A MAJOR BLOW TO GULBENKIAN. FREITAS CRUZ AGREED WITH BOTH OBSERVATIONS. HE ADDED, HOWEVER, THAT GULBENKIAN'S FIVE PERCENT OF BPC REPRESENTED TIDY SOURCE OF INCOME WHICH FOUNDATION WAS UNHAPPY TO LOSE. INDEED, FOREIGN MINISTER HAD JUST BEEN TTREATED TO TIRADE FROM GULBENKIAN FOUNDATION HEAD PERDIGAO WHO BERATED PATRICIO FOR ARRANGING VISIT TO LISBON BY SECRETARY KISSINGER WHICH, BY EMPHASIZING PORTUGUESE ROLE IN ISRAELI RESUPPLY, HAD STIMULATED IRAQI NATIONALIZATION ACTION. IN BRINGING THIS MATTER TO SECRETARY'S ATTENTION, GOP WISHED AT THIS TIME MERELY TO PUT US ON NOTICE THAT GULBENKIAN NATIONALIZATION COULD LEAD TO EMBARGO BY IRAQ OF CRUDE SUPPLIES TO PORTUGAL WHICH, IN TURN, COULD LEAD GOP TO SEEK PROMISED US ASSISTANCE ON PETROLEUM SUPPLY.

3. COMMENT: PRIOR TO MIDEAST CRISIS, GOP HAD PROJECTED IMPORTS OF FIVE MILLION TONS OF CRUDE (NOT COUNTING IMPORTS FROM CABINDA) OF WHICH TWO MILLION TONS WERE TO COME FROM IRAQ. UP TO THE PRESENT, AND DESPITE EMBARGO BY OTHER ARAB SUPPLIERS, IRAQ HAS CONTINUED TO SUPPLY PORTUGAL. LOSS OF SUCH A LARGE PROPORTION OF PROJECTED SUPPLY WOULD INDEED BE SERIOUS PROBLEM FOR PORTUGAL.
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